IvyLine Capital Group

Monday Market Update

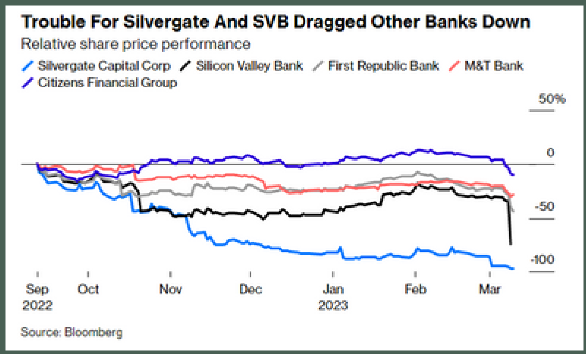
LAST WEEK

March 06 - March 17, 2023

Silicon Valley Bank collapsed. Is this the first domino to fall?

Silicon Valley Bank, which had grown fourfold in size over the last five years, has experienced a tumultuous week that resulted in an unsuccessful attempt to raise capital and a significant cash outflow from its tech startup clients, leading to its downfall. As a result, it has become the largest US lender to fail in over a decade. The California State Watchdogs took over the bank on Friday, appointing the Federal Deposit Insurance Corp. as the receiver. The lender's problems were exacerbated by advice from high-profile venture capital firms, including Peter Thiel's Founders Fund, to their portfolio companies to withdraw money from the bank. These calls were made after SVB Financial Group, the bank's parent company, announced a loss on its portfolio and plans to raise over $2 billion.

Treasury Secretary Janet Yellen called a meeting Friday with leaders from the Federal Reserve, the FDIC and the Office of the Comptroller of the Currency to discuss developments around SVB. Yellen said in a statement that the US banking system "remains resilient" and the regulators "have effective tools" to address the fallout. The FDIC has confirmed that Silicon Valley Bank's insured depositors will be able to access their funds no later than Monday morning. However, uninsured depositors will receive a receivership certificate for the remaining amount of their uninsured funds, although the exact amount is yet to be determined. The California Department of Financial Protection and Innovation cited inadequate liquidity and insolvency as the reasons for the bank's takeover.



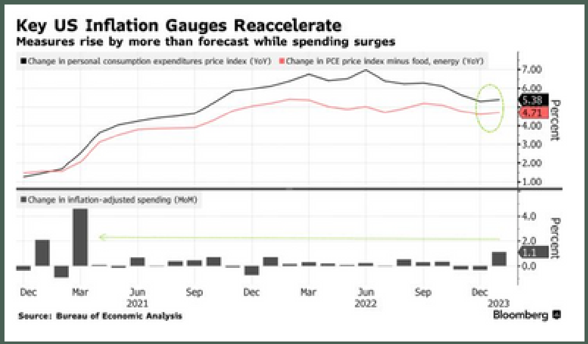
Interesting fact: SVB was founded in 1983 over a poker game between Bill Biggerstaff and Robert Medearis, according to a statement from the bank's 20th anniversary. Since its start, the firm has specialized in providing financial services to tech startups. The bank had about $209 billion in total assets and about $175.4 billion in total deposits at the end of last year, the FDIC said on Friday.

Jerome Powell testified before the Joint Committee

Federal Reserve Chair Jerome Powell testified on the economic outlook and recent monetary policy actions before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, Washington, D.C. on March 7 and March 8.. The testimony is in 2 parts: a prepared statement and Q&A session.

The Chair said that the economic situation and outlook have improved since the previous month due to higher employment, consumer spending, manufacturing production, and inflation. However, inflation remains above the Federal Open Market Committee's (FOMC) objective of 2 percent, and the recent increase in inflationary pressures is concerning. Although inflation has moderated slightly, core PCE inflation, excluding food and energy prices, was 4.7 percent over the past 12 months. While there is little sign of disinflation in the core services sector, a deceleration in housing services inflation is expected over the next year. Despite slower output growth, the labor market remains tight, with a low unemployment rate and strong job gains. However, there are signs of subdued growth in spending and production, with activity in the housing sector weakening due to higher mortgage rates.

According to Chair Jerome Powell, the Federal Reserve is likely to raise interest rates at a faster pace than originally planned due to persistent inflation, which represents an unexpectedly aggressive approach following a slowdown in rate hikes last month. "The latest economic data have come in stronger than expected, which suggests that the ultimate level of interest rates is likely to be higher than previously anticipated," Powell told the Senate Banking Committee. "If the totality of the data were to indicate that faster tightening is warranted, we would be prepared to increase the pace of rate hikes."



Consequently, short-term bond yields rose, while stocks declined, and the dollar continued to gain value. Traders are now anticipating that the Federal Reserve will increase rates by 50 basis points at the upcoming meeting later this month, rather than sticking to the quarter-point pace from the previous meeting. However, he softened his tone slightly during the second day of the testimony, stating that jobs and inflation data will be deciding factors in how much to raise the interest rates later this month. Also, he emphasized his message from the first day that the Fed is likely to take rates higher than previously anticipated given that the economic data keeps coming in hot. "We have not made any decision about the March meeting," Powell said on Wednesday.

Last Week Summary

Last week some important indicators came out. Although January Factory Orders was better than last year's number it is still negative, -1.6%. JOLTs Job Openings for January came in higher than expected, 10.824M vs 10.500M showing that the economy is still robust and creating many jobs. Both Initial Jobless Claims and Unemployment Rate for the month of February came in higher than expected 211K vs 195K and 3..6% vs 3.4% respectively. Nonfarm Payrolls and Private Nonfarm Payrolls both were significantly higher than forecasts.

On the treasuries side the yield curve is still inverted. During the week Treasury Bill Rates increased around 6 - 12 bps while Long Term Treasuries saw a significant drop in their rates on Friday thanks to the bank run and the collapse of the SVB.

Please see table below for further economic data.

Indicator	Factory Orders (MoM) (Jan)	JOLTs Job Openings (Jan)	Initial Jobless Claims	Nonfarm Payrolls (Feb)	Private Nonfarm Payrolls (Feb)	Unemployment Rate (Feb)
Actual	-1.6%	10.824M	211K	311K	625K	3.6%
Forecast	-1.8%	10.500M	195K	205K	210K	3.4%

THIS WEEK

We have a number of important reports set to be released this week for the month of February. Beginning of the week the US Bureau of Labor Statistics will be releasing their CPI MoM and CPI YoY both expected to be lower than last TTM. Next, we have Core Retail Sales and Retail Sale with an expectation of 0.2% vs 2.3% and -0.3% vs 3.0% of last year February.

In the second half of the week we will have the PPI and Core PPI report for February. Concluding the week we will expect Building Permits and Initial Jobless Claims for the week ending on March 10 to be around last year's numbers for the corresponding period.

See table to the right for the full list.

Source: Investing.com

Economic Calendar

Date	Economic Indicator	Expectation vs Prior year (YoY)
03 - 14	CPI (MoM) (Feb)	0.4% vs 0.5%
03 - 14	CPI (YoY) (Feb)	6.0% vs 6.4%
03 - 15	Core Retail Sales (MoM) (Feb)	0.2% vs 2.3%
03 - 15	PPI (MoM) (Feb)	0.3% vs 0.7%
03 - 15	Core PPI (MoM) (Feb)	0.4% vs 0.5%
03 - 15	Retail Sales (MoM) (Feb)	-0.3% vs 3.0%
03 - 16	Building Permits (Feb) P	1.328M vs 1.339M
03 - 16	Initial Jobless Claims	205K vs 211K

Technicals & Terms

1. Receivership typically means a bank's deposits will be assumed by another, healthy bank or the FDIC will pay depositors up to the insured limit.
2. The FDIC: The Federal Deposit Insurance Corporation
3. Insolvency: when an individual or company can no longer meet their financial obligations to lenders as debts become due.
4. Liquidity means a person or company has sufficient liquid assets to pay the bills on time

S&P 500 @3,861.59 **0.58% YTD** DJI @31,909. 64 **-3.73% YTD** US2Y @ **4.60%**

As of March 10, 2023

Our Fund

The fund invests in macro related ETFs, individual equities, and certain hedged options strategies. Our single strategy utilizes distribution and variance metrics for the placement of options. The main factor that determines these decisions centers around Implied Volatility.

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Disclosure: The following results statement presents the performance of IvyLine Dynamic Growth LP account managed by the managing member of the General Partner and Advisor. The fund results are unaudited and is only to display an approximation of the performance for the timeframe above. The results were calculated by Perennial Fund Services, LLC. Results are net of fees calculations. Any questions should be directed to the manager of the fund. Past performance does not indicate future results.

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